

CITY OF FONDA, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2015

**T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants**

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-11
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 12
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 13
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 14
Notes to Financial Statements	15-25
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	26
Notes to Other Information – Budgetary Reporting	27
Schedule of the City's Proportionate Share of the Net Pension Liability	28
Schedule of the City's Contributions	29
Notes to Other Information- Pension Liability	30-31
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances- Nonmajor Governmental Funds	1 32
Schedule of Indebtedness	2 33
Bond and Note Maturities	3 34
Schedule of Receipts by Source and Disbursements by Function- All Governmental Funds	4 35
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
Schedule of Findings	38-44

CITY OF FONDA, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Don Wolf	Mayor	Dec 2015
Ethan Bartek	Council Member	Dec 2015
Rod Wells	Council Member	Dec 2015
Angela Podraza	Council Member	Dec 2015
Logan Nehman	Council Member	Dec 2017
Jamie Tauber	Council Member	Dec 2017
Angela Duitsman	Clerk / Treasurer	Indefinite
James C. Hudson	Attorney	Indefinite



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fonda, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions.

Basis of Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution of the beginning balances of cash basis net position and the distribution by fund of the total fund balance as of July 1, 2014.

Qualified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distributions of the beginning balances of cash basis net position and the distribution by fund of the total fund balance at July 1, 2014, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fonda, Iowa as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which are a basis of accounting other than U.S. generally accepted accounting principles. Our opinions were not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Fonda, Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fonda's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2014 (which is not presented herein) and expressed a qualified opinion on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

financial statements themselves, and other additional procedures in accordance with the U.S. generally accepted auditing standards. In our opinion, except for the effects on the supplementary information of the qualified opinions on the financial statements described above, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 11 and 25 through 30, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 4, 2015 on our consideration of the City of Fonda's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fonda's internal control over financial reporting and compliance.

T.P. Anderson & Company, P.C.

November 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Fonda, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities were approximately \$457,000, which is a 5% decrease from the prior year. Over 60% of total revenues were received from property taxes which totaled approximately \$174,000, which increased by 2% compared to the prior year, and intergovernmental receipts which totaled approximately \$105,000, which decreased by 34% compared to the prior year.
- Governmental activity disbursements increased by 165% compared to the prior year and were approximately \$1.3 million in fiscal year 2015. Comprising a majority of the total disbursement balance were 60% for capital projects which totaled approximately \$757,000, as compared to \$52,000 for the prior year.
- The City's total cash basis net position decreased 69%, or approximately \$740,000 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased approximately \$745,000 and the cash basis net position of the business type activities increased by approximately \$5,000. The large decrease in the cash balance year over year was a result of capital expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overview of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the solid waste, waterworks, electric, sanitary sewer and storm sewer systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic service. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, and Employee Benefits, 3) the Debt Service Fund, 4) and the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the solid waste, water, electric, sanitary sewer (considered to be major funds of the City) and storm sewer (considered to be a nonmajor fund of the City) funds.

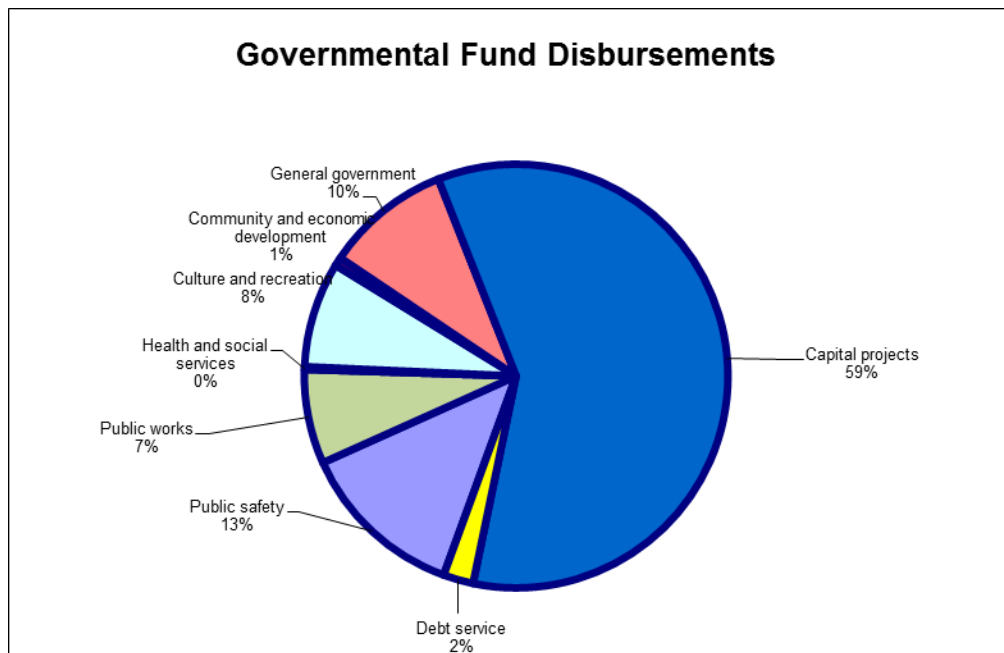
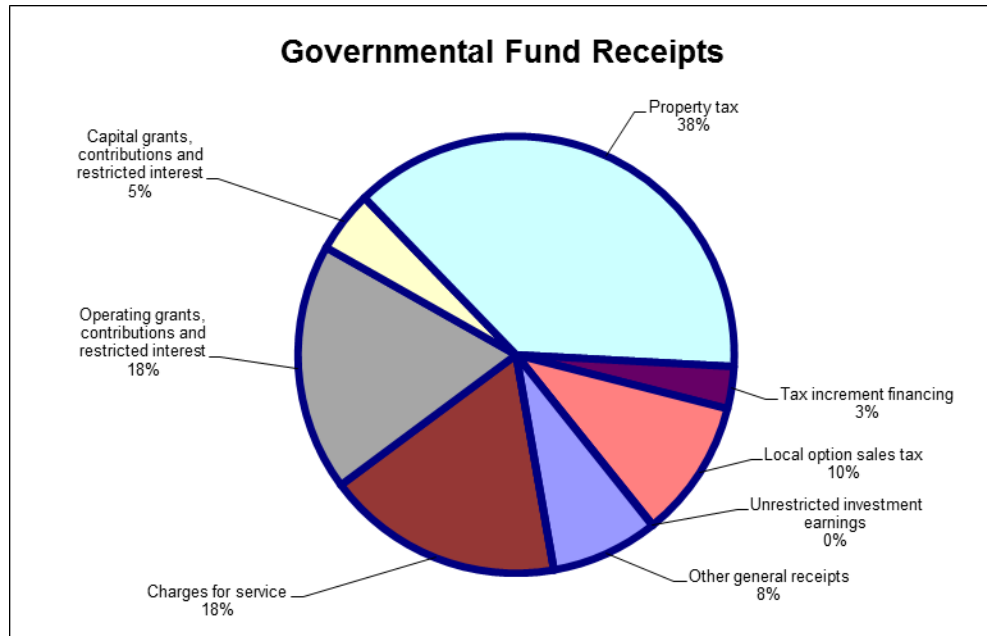
The required financial statement for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from a surplus of \$444,948 to a deficit of \$299,977. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30, 2015	Year ended June 30, 2014
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 81	\$ 59
Capital grants, contributions and restricted interest	21	76
Operating grants, contributions and restricted interest	84	84
General receipts:		
Property tax	174	170
Tax increment financing	14	5
Local option sales tax	47	51
Unrestricted investment earnings	-	1
Other general receipts	36	48
Proceeds from long term debt	-	637
Total receipts	457	1,131
Disbursements:		
Public safety	163	125
Public works	92	86
Health and social services	3	2
Culture and recreation	103	86
Community and economic development	8	13
General government	123	128
Debt service	29	11
Capital projects	757	52
Total disbursements	1,278	503
Change in cash basis net position before transfers	(821)	628
Transfers, net	76	68
Change in cash basis net position	(745)	696

Cash basis net position beginning of year	445	(251)
Cash basis net position end of year	\$ (300)	445



The City' total receipts for governmental activities decreased by 59%, or approximately \$650,000 compared to the prior year. The total cost of all programs and services increased approximately \$787,000 or 160% with no new programs added this year. The significant decrease in receipts was primarily the result of proceeds received from the issuance of bonds. The significant increase in disbursements was primarily the result of capital project expenditures.

The cost of all governmental activities this year was \$1,278,000. However, as shown in the Cash Basis Statement of Activities and Net Position on page 12, the amount taxpayers ultimately financed for these activities was only 1,093,000 because some of the cost was paid by those directly benefited from the programs (81,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$105,000). The City paid for the remaining “public benefit” portion of governmental activities with approximately \$174,000 in tax (some of which could only be used for certain programs) and with other receipts, such as local option sales tax, interest and miscellaneous receipts.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30, 2015	Year ended June 30, 2014
Receipts:		
Program receipts:		
Charges for service:		
Solid waste	\$ 70	\$ 69
Electric	462	457
Water	99	106
Sewer	54	58
Capital grants, contributions and restricted interest	1	1
General receipts:		
Proceeds from long term debt	68	42
Total receipts	754	733
Disbursements and transfers:		
Solid Waste	49	60
Electric	422	387
Water	133	138
Sewer	70	67
Total disbursements	674	652
Change in cash basis net position before transfers	81	81
Transfers, net	(76)	(68)
Change in cash basis net position	5	13
Cash basis net position beginning of year	630	617
Cash basis net position end of year	\$ 635	\$ 630

Total business type activities receipts for the fiscal year were \$754,000 compared to \$733,000 in the prior year. The cash balance increased by approximately \$5,000 from the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Fonda completed the year, its governmental funds reported a combined fund balance of (\$299,977), a decrease of approximately \$745,000 from last year's balance of \$444,948. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$63,283 from the prior year, increasing the deficit balance to \$474,686. The reduction was similar to that which was budgeted for the year.
- The Special Revenue, Road Use Tax Fund cash balance decreased by \$16,941 to a balance of \$725,157 at June 30, 2015. The large ending cash balance was a result of general obligation proceeds being received in the previous year that was not transferred out during the current period.
- The Special Revenue, Local Option Sales Tax Fund balance increased by \$15,766 during the year. This was a result of receipts collected outweighing the transfers made to debt service and the special revenue employee benefits fund.
- The Special Revenue, Employee Benefits Fund balance had a slight increase during the year of \$3,061. The increase was similar to that which was budgeted for the year.
- The Capital Projects Fund cash balance decreased from the prior year by approximately \$679,565. This was a result of spending grant funds that were received in the previous year that were placed into the Special Revenue Fund, Road Use Tax.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$35,296 primarily as a result of receiving loan proceeds of approximately \$68,000 during the year. The loan proceeds were received from a preliminary loan with Iowa Finance Authority for the water improvement project.
- The Sewer Fund cash balance decreased this fiscal year by \$15,593 as a result of regular operations during the year.
- The Solid Waste Fund cash balance increased by \$21,232 as a result of regular operations during the year.
- The Electric Fund cash balance decreased by \$36,300 primarily as a result of interfund transfers out of approximately \$76,000 during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on April 1, 2015 and resulted in increased disbursements of \$363,078 due to an increase in capital projects and debt service functions. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service function.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$784,000 in bonds and other long-term debt outstanding.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30, 2015	Year ended June 30, 2014
Rural Economic Development Loan	\$ 35	\$ 46
SRF Preliminary Planning & Design Loan	112	42
General Obligation Debt	637	637
Total	\$ 784	\$ 725

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's constitutional debt limit is \$732,495 and its outstanding general obligation debt is \$637,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when establishing the fiscal year 2016 budget, tax rates and fees charged for various City activities. A conservative approach was used and a balanced budget is anticipated.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The City's financial statements are designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Clerk at 104 West Second Street, P.O. Box 367, Fonda, IA 50540 or telephone (712) 288-4466.

Financial Statements

CITY OF FONDA, IOWA

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 162,754	-	4,648	-
Public works	92,060	-	65,613	-
Health and Social Services	2,760	-	-	-
Culture and recreation	102,860	-	13,534	13,880
Community and economic development	8,495	-	-	-
General government	122,525	80,534	-	-
Capital projects	757,251	-	-	7,125
Debt service	29,293	-	-	-
Total governmental activities	1,277,998	80,534	83,795	21,005
Business type activities:				
Solid waste	48,630	69,862	-	-
Water	133,189	99,396	-	1,495
Electric	422,401	461,705	-	-
Sewer	69,423	53,830	-	-
Storm Sewer	-	-	-	-
Total business type activities	673,643	684,793	-	1,495
Total	\$ 1,951,641	765,327	83,795	22,500
General Receipts and Transfers:				
Property tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Bond/loan proceeds				
Sale of capital assets				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted				
Expendible				
Street				
Other purposes				
Unrestricted				
Total cash basis net position				

See Notes To Financial Statements

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(158,106)	-	(158,106)
(26,447)	-	(26,447)
(2,760)	-	(2,760)
(75,446)	-	(75,446)
(8,495)	-	(8,495)
(41,991)	-	(41,991)
(750,126)	-	(750,126)
(29,293)	-	(29,293)
(1,092,664)	-	(1,092,664)
-	21,232	21,232
-	(32,298)	(32,298)
-	39,304	39,304
-	(15,593)	(15,593)
-	-	-
-	12,645	12,645
(1,092,664)	12,645	(1,080,019)
174,126	-	174,126
14,207	-	14,207
46,877	-	46,877
204	362	566
-	67,594	67,594
308	-	308
36,051	-	36,051
75,966	(75,966)	-
347,739	(8,010)	339,729
(744,925)	4,635	(740,290)
444,948	629,842	1,074,790
\$ (299,977)	634,477	334,500
725,157	-	725,157
97,519	-	97,519
(1,122,653)	634,477	(488,176)
\$ (299,977)	\$ 634,477	\$ 334,500

CITY OF FONDA, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue			
	General	Road Use Tax	LOST	Employee Benefits
Receipts:				
Property tax	93,721	-	-	78,068
Tax increment financing	-	-	-	-
Other city tax	-	-	46,877	-
Licenses and permits	573	-	-	-
Use of money and property	12,242	-	-	-
Intergovernmental	32,062	65,613	-	-
Charges for service	80,534	-	-	-
Special Assessments	-	-	-	-
Miscellaneous	8,440	-	-	-
Total receipts	227,572	65,613	46,877	78,068
Disbursements:				
Public safety	134,862	-	-	27,892
Public works	13,750	47,554	-	30,756
Health and social services	2,760	-	-	-
Culture and recreation	94,317	-	-	8,543
Community and economic development	8,495	-	-	-
General government	94,709	-	-	27,816
Capital projects	22,561	-	-	-
Debt service	-	-	-	-
Total disbursements	371,454	47,554	-	95,007
Excess (deficiency) of receipts over disbursements	(143,882)	18,059	46,877	(16,939)
Other financing sources (uses):				
Sale of capital assets	308	-	-	-
Operating transfers in	80,291	-	-	20,000
Operating transfers out	-	(35,000)	(31,111)	-
Total other financing sources (uses)	80,599	(35,000)	(31,111)	20,000
Changes in cash balances	(63,283)	(16,941)	15,766	3,061
Cash balance beginning of year	(411,403)	742,098	69,583	9,068
Cash balance end of year	\$ (474,686)	725,157	85,349	12,129
Cash Basis Fund Balance				
Restricted for:				
Street	-	725,157	-	-
Other purposes	-	-	85,349	12,129
Assigned for Hometown Pride	16,344	-	-	-
Unassigned	(491,030)	-	-	-
	\$ (474,686)	725,157	85,349	12,129

See Notes to Financial Statements

Capital Project	Nonmajor Governmental Funds	Total
-	2,337	174,126
-	14,207	14,207
-	-	46,877
-	-	573
-	-	12,242
7,125	-	104,800
-	-	80,534
15,000	-	15,000
-	-	8,440
22,125	16,544	456,799
-	-	162,754
-	-	92,060
-	-	2,760
-	-	102,860
-	-	8,495
-	-	122,525
734,690	-	757,251
-	29,293	29,293
734,690	29,293	1,277,998
(712,565)	(12,749)	(821,199)
-	-	308
35,000	11,111	146,402
(2,000)	(2,325)	(70,436)
33,000	8,786	76,274
(679,565)	(3,963)	(744,925)
50,610	(15,008)	444,948
(628,955)	(18,971)	(299,977)
-	-	725,157
-	41	97,519
-	-	16,344
(628,955)	(19,012)	(1,138,997)
(628,955)	(18,971)	(299,977)

CITY OF FONDA, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Proprietary Funds					
	Solid Waste	Water	Electric	Sewer	Nonmajor Storm Sewer	Total
Operating receipts						
Charges for service	\$ 68,095	92,727	448,565	53,176	-	662,563
Miscellaneous	1,767	6,669	13,140	654	-	22,230
Total operating receipts	69,862	99,396	461,705	53,830	-	684,793
Operating disbursements						
Business type activities	48,630	76,156	422,401	69,423	-	616,610
Total operating disbursements	48,630	76,156	422,401	69,423	-	616,610
Excess (deficiency) of operating receipts over (under) operating disbursements	21,232	23,240	39,304	(15,593)	-	68,183
Non-operating receipts (disbursements):						
Interest on investments	-	-	362	-	-	362
Intergovernmental	-	1,495	-	-	-	1,495
Water revenue note proceeds	-	67,594	-	-	-	67,594
Capital projects	-	(57,033)	-	-	-	(57,033)
Net non-operating receipts (disbursements)	-	12,056	362	-	-	12,418
Excess (deficiency) of receipts over (under) disbursements	21,232	35,296	39,666	(15,593)	-	80,601
Transfers out	-	-	(75,966)	-	-	(75,966)
Changes in cash balances	21,232	35,296	(36,300)	(15,593)	-	4,635
Cash balance beginning of year	50,095	(20,243)	653,117	(21,652)	(31,475)	629,842
Cash balance end of year	\$ 71,327	15,053	616,817	(37,245)	(31,475)	634,477
Cash Basis Fund Balances						
Unrestricted	\$ 71,327	15,053	616,817	(37,245)	(31,475)	634,477
Total cash basis fund balance	\$ 71,327	15,053	616,817	(37,245)	(31,475)	634,477

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Fonda is a political subdivision of the State of Iowa located in Pocahontas County. It was first incorporated in 1870 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides solid waste, electric, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Fonda has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all other potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: MIDAS Council of Governments, Pocahontas County E911 Board, Iowa Public Power Agency (IPPA) and Fonda Fire District Board.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

This Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for employee benefits paid for using property tax levied specifically for that purpose.

The Local Option Sales Tax Fund (LOST) is used to account for the receipt and disbursement of local option sales tax dollars.

The Capital Projects fund is used to account for receipts and disbursements relating to the park and street improvement projects of the City.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Solid Waste Fund accounts for the operation and maintenance of the City's solid waste disposal system.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

The Enterprise, Electric Fund accounts for the operation and maintenance of the City's electric distribution system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Fonda, Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restricted classifications- committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable- Amounts which cannot be spent because they are legally or contractually required to be maintained.

Restricted- Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned- Amounts the City Council intends to use for specific purposes.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Unassigned- All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in debt service function.

F. Subsequent Events

City management has evaluated events and transactions for potential recognition or disclosure through November 4, 2015, the date the financial statements were issued.

(2) Cash and Pooled Investments

The City's deposits at June 30, 2015 (which include certificates of deposit totaling \$104,076) were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for revenue bond and other long-term debt are as follows:

CITY OF FONDA, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Year Ending June 30,	General Obligation		Rural Economic		Water		Total	
	Bonds		Development Note		Revenue Notes			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 63,000	\$ 19,110	\$ 11,111	\$ -	\$ 23,000	\$ 1,964	\$ 97,111	\$ 21,074
2017	65,000	17,220	11,111	-	23,000	1,562	99,111	18,782
2018	66,000	15,270	11,111	-	23,000	1,159	100,111	16,429
2019	68,000	13,290	1,852	-	24,000	757	93,852	14,047
2020	71,000	11,250	-	-	19,248	337	90,248	11,587
2021-2025	304,000	23,100	-	-	-	-	304,000	23,100
Total	\$ 637,000	\$ 99,240	\$ 35,185	\$ -	\$ 112,248	\$ 5,779	\$ 784,433	\$ 105,019

The Rural Economic Development Note is from the City of Pocahontas and financed the construction of the Fire/EMS building. The original amount of the note was \$100,000 at 0.00% interest, and was signed on August 14, 2008. Monthly payments of \$926 are required to maturity on this note. The note is collateralized by a lien on real estate and improvements with an original cost of approximately \$259,000.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$112,248 of water revenue notes issued in April 2015. Additional proceeds are expected to be issued to the City in amounts not to exceed \$548,000 in the next fiscal year. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are expected to be payable through 2035. The total principal and interest remaining to be paid on the outstanding balance of the notes at year-end is \$118,027. For the current year, one interest payment was made in the amount of \$239 and total customer net receipts were \$23,240.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (d) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in a water revenue surplus account within the Enterprise Funds. As long as the Sinking Fund has the full amounts required to be deposited, any balance in the Surplus Fund may be made available to the City.

(4) Pension Plan

Plan Description- IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-7117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan document for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but no more than 30 years of service
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. For Protection Occupant members, the City contributed 10.14 percent and members contributed 6.76 percent for a total rate of 16.90 percent.

The City’s contributions to IPERS for the year ended June 30, 2015 were \$23,376.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported a liability of \$109,487 for its proportionate share of the net pension liability. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the collective net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City’s proportion was 0.0027607 percent, which was a decrease of 0.0002982 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City’s collective pension expense, collective deferred outflows and collective deferred inflows totaled \$10,186, \$6,680 and \$59,184 respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	\$ 242,096	\$ 109,487	\$ (2,413)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 3 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member average monthly premiums for the City and plan members are \$562 for single coverage. For the year ended June 30, 2015, the City contributed \$26,988 and plan members eligible for benefits contributed \$0 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use. Earned vacation is paid when used or when employment is terminated upon retirement or death. These accumulations are not recognized as expenditures by the City until they are paid.

The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefits</u>	<u>Amount</u>
Vacation	\$ 5,451

This liability has been computed based on rates of pay in effect at June 30, 2015.

(7) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2015 is as follows:

<u>Transfer In</u>	<u>Transfer From</u>	<u>Amount</u>
General	Proprietary:	
	Electric	\$ 75,966
	Emergency	2,325
	Capital Projects	2,000
		<u>80,291</u>
Debt Service	LOST	11,111
Employee Benefits	LOST	20,000
Capital Projects	Road Use Tax	35,000
		<u>\$ 146,402</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the funds.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$5,322 during the year ended June 30, 2015.

(9) Risk Management

The City of Fonda is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Deficit Fund Balance

The General Fund had a deficit balance of \$474,696 at June 30, 2015. The deficit in the General Fund is due to disbursements exceeding the receipts over a number of years. The Capital Projects Fund had a deficit balance of \$628,955 during the year. The City received funding for the street project in the previous year that was placed into the Road Use Tax Fund. Inadequate transfers from the Road Use Tax Fund to the Capital Projects Fund resulted in the large deficit balance in this fund. The City plans to make the transfer in the next fiscal year. Additionally, the Debt Service Fund had a deficit balance of \$18,182. This was a result of an inadequate transfer to cover additional debt payments that began during the year. The City plans to make the appropriate transfers during the next fiscal year. The Tax Increment Financing Fund had a deficit balance of \$830 at June 30, 2015. The City plans to receive TIF taxes for the certified internal loan during the next fiscal year.

The Enterprise Funds, Sewer and Storm Sewer, had deficit balances of \$37,245 and \$31,475, respectively as of June 30, 2015. The City plans to consider increasing sewer rates in FY 2016 to help decrease the deficit balances in these funds. The deficit balances in the Storm Sewer fund is a result of a onetime cost sharing project with the Iowa Department of Transportation. The City does not currently offer storm sewer utility services but continues to determine if one should be implemented.

(11) Property Taxes

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Fonda. Property taxes become liens on property as of July 1, 2014 and are payable in September and March of the fiscal year. The valuation for the taxes were based on January 1, 2013 assessed property valuations, and are based on a certified budget from March of 2014.

CITY OF FONDA, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(12) Operating Lease

The City leases a copy machine under an operating lease agreement calling for 63 monthly payments of \$130. Future minimum lease payments due on the above operating leases are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ <u>390</u>
Total	\$ <u>390</u>

(13) Prior Period Adjustments for Correction of Errors

The cash basis net position of the governmental activities and the general fund cash balance for the beginning of the current year have been restated and increased by \$15,439 for the correction of an error to correct for a bank account that had been omitted from the City's records. The cash basis net position of the governmental activities and the general fund cash balance for the beginning of the prior year would have been increased by \$3,540 had the bank account been properly reported in the prior year. Additionally, the general fund cash balance was decreased by \$37,774 and the Capital Projects Fund cash balance was increased by \$37,774 to correct for certain prior year capital expenditures that were posted incorrectly to the capital projects fund during the year ended June 30, 2014.

Other Information

CITY OF FONDA, IOWA

**Budgetary Comparison Schedule of Receipts, Disbursements, and Changes
in Balances - Budget and Actual (Cash Basis)
All Government Funds and Proprietary Funds**

**OTHER INFORMATION
Year Ended June 30, 2015**

	Governmental Funds Activity	Proprietary Funds Activity	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 174,126	-	174,126	168,274	168,274	5,852
Tax increment financing	14,207	-	14,207	14,223	14,223	(16)
Other city tax	46,877	-	46,877	62,337	62,337	(15,460)
Licenses and permits	573	-	573	1,352	1,352	(779)
Use of money and property	12,242	362	12,604	14,450	17,253	(4,649)
Intergovernmental	104,800	1,495	106,295	465,360	469,990	(363,695)
Charges for service	80,534	662,563	743,097	720,475	737,650	5,447
Special assessments	15,000	-	15,000	15,000	15,000	-
Miscellaneous	8,440	22,230	30,670	20,700	20,700	9,970
Total receipts	456,799	686,650	1,143,449	1,482,171	1,506,779	(363,330)
Disbursements:						
Program						
Public Safety	162,754	-	162,754	141,653	162,845	91
Public Works	92,060	-	92,060	90,560	92,060	-
Health and Social Services	2,760	-	2,760	2,350	2,940	180
Culture & Recreation	102,860	-	102,860	149,396	149,396	46,536
Community & economic development	8,495	-	8,495	12,950	12,950	4,455
General government	122,525	-	122,525	122,525	122,525	-
Debt Service	29,293	-	29,293	-	29,111	(182)
Capital projects	757,251	-	757,251	540,000	767,719	10,468
Business-type activities	-	673,643	673,643	1,407,249	1,490,215	816,572
Total Disbursements	1,277,998	673,643	1,951,641	2,466,683	2,829,761	878,120
Excess (deficiency) of receipts over disbursements	(821,199)	13,007	(808,192)	(984,512)	(1,322,982)	514,790
Other financing sources, net	76,274	(8,372)	67,902	1,032,000	614,966	(547,064)
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	(744,925)	4,635	(740,290)	47,488	(708,016)	(32,274)
Balance - beginning of year	444,948	629,842	1,074,790	461,887	461,887	612,903
Balance - end of year	\$ (299,977)	634,477	334,500	509,375	(246,129)	580,629

See Accompanying Independent Auditor's Report

CITY OF FONDA, IOWA

Notes to Other Information- Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No.41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund, each major Special Revenue Fund and each major Capital Project Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased disbursements by \$363,078. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service function.

CITY OF FONDA, IOWA
Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.002761%
City's proportionate share of the net pension liability	109,487
City's covered-employee payroll	250,414
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	43.72%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30

See accompanying independent auditors report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF FONDA, IOWA

Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 2 Fiscal Years*

Other Information

	2015	2014
Statutorily required contribution	\$ 23,376	\$ 22,865
Contributions in relation to the statutorily required contribution	23,376	22,865
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	255,309	250,414
Contributions as a percentage of covered-employee payroll	9.16%	9.13%

See accompanying independent auditor's report.

***Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years in which information is readily available.

CITY OF FONDA, IOWA

Notes to Other Information- Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

CITY OF FONDA, IOWA

Schedule 1

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue		Debt Service	Total
	TIF	Emergency		
Receipts:				
Property tax	\$ -	2,337	-	2,337
Tax increment financing	14,207	-	-	14,207
	14,207	2,337		16,544
Disbursements:				
Capital projects	-	-	-	-
Debt service	-	-	29,293	29,293
	-	-	29,293	29,293
Excess (deficiency) of receipts over (under) disbursements	14,207	2,337	(29,293)	(12,749)
Other financing sources (uses):				
Operating transfers in	-	-	11,111	11,111
Operating transfers out	-	(2,325)	-	(2,325)
	-	(2,325)	11,111	8,786
Excess of receipts and other financing sources over disbursements and other financing uses	14,207	12	(18,182)	(3,963)
Balance beginning of year	(15,037)	29	-	(15,008)
Balance end of year	\$ (830)	41	(18,182)	(18,971)
Cash Basis Fund Balance				
Restricted:				
Other purposes	-	41	-	41
Unassigned	(830)	-	(18,182)	(19,012)
	\$ (830)	41	(18,182)	(18,971)

See Notes to Financial Statements

CITY OF FONDA, IOWA

SCHEDULE OF INDEBTEDNESS

YEAR ENDED JUNE 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds:									
Street Improvement	June 2, 2014	3.00%	\$ 637,000	<u>\$ 637,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 637,000</u>	<u>\$ 17,942</u>	<u>\$ -</u>
Rural Economic Development Loan									
Fire/EMS building	August 14, 2008	0.00%	\$ 100,000	<u>\$ 46,296</u>	<u>\$ -</u>	<u>\$ 11,111</u>	<u>\$ 35,185</u>	<u>\$ -</u>	<u>\$ -</u>
Water Revenue Bonds									
Water Improvements	April 17, 2015	1.75%	\$ 548,000	<u>\$ 41,914</u>	<u>\$ 70,334</u>	<u>\$ -</u>	<u>\$ 112,248</u>	<u>\$ 239</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

CITY OF FONDA, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2015

Year Ending June 30,	General Obligation Bonds Street Improvement		Rural Economic Development Note		Water Revenue Notes	
	Issued June 2, 2014		Issued August 15, 2008		Issued April 1, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	3.00%	\$ 63,000	0.00%	\$ 11,111	1.75%	\$ 23,000
2017	3.00%	65,000	0.00%	11,111	1.75%	23,000
2018	3.00%	66,000	0.00%	11,111	1.75%	23,000
2019	3.00%	68,000	0.00%	1,852	1.75%	24,000
2020	3.00%	71,000	-	-	1.75%	19,248
2021	3.00%	73,000	-	-	-	-
2022	3.00%	75,000	-	-	-	-
2023	3.00%	77,000	-	-	-	-
2024	3.00%	79,000	-	-	-	-
		<u>\$ 637,000</u>		<u>\$ 35,185</u>		<u>\$ 112,248</u>

See Accompanying Independent Auditor's Report.

CITY OF FONDA, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDING JUNE 30:

	2015	2014
Receipts		
Property tax	\$ 174,126	\$ 169,950
Tax increment financing	14,207	5,081
Other city tax	46,877	51,445
Licenses and permits	573	633
Use of money and property	12,242	8,309
Intergovernmental	104,800	159,894
Charges for service	80,534	59,080
Special Assessments	15,000	-
Miscellaneous	8,440	39,911
	<u>\$ 456,799</u>	<u>\$ 494,303</u>
Disbursements:		
Operating:		
Public safety	\$ 162,754	\$ 124,683
Public works	92,060	86,587
Health and social services	2,760	1,850
Culture and recreation	102,860	85,937
Community and economic development	8,495	12,687
General government	122,525	128,380
Capital projects	757,251	52,264
Debt service	29,293	11,111
	<u>\$ 1,277,998</u>	<u>\$ 503,499</u>

See Accompanying Independent Auditor's Report.



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fonda, Iowa as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 4, 2015. Our report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fonda's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fonda's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fonda's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Fonda's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fonda's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Fonda's Response to the Findings

The City of Fonda's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses we did not audit the responses and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Fonda during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

T.P. Anderson & Company, P.C.

November 4, 2015

CITY OF FONDA, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) As a result of the City's accounting records not being audited annually, as permitted by the Code of Iowa, we were unable to satisfy ourselves as to the distribution of the beginning balance of cash basis net position and the distribution by fund of the total fund balance as of July 1, 2014, therefore modified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. general accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF FONDA, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties - We noted that the cash receipt function and the recording of the cash receipts is on occasion handled by the same person.

Criteria - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Condition – There is a limited staff size that makes having an appropriate segregation of duties difficult for the City.

Effect – The City’s internal control system is not as strong as it could be with a proper segregation of duties.

Recommendation – The City should review its operating procedures to obtain the maximum segregation of duties possible under the circumstances by utilizing currently available staff, including elected officials.

Response - We believe that we are close to the maximum degree of segregation of duties possible with the limited number of office employees. We will investigate additional procedures to cost effectively improve internal control.

Conclusion - The City should segregate duties to the extent possible with existing personnel and utilize elected officials to provide additional control through review of financial transactions and reports.

II-B-15 Financial Reporting – During the audit, we identified a bank account that was not being included in the financial reporting of the governmental funds of the City. The bank account was used to record the activity of the City’s Hometown Pride committee. The total balance of the account at June 30, 2015 was \$16,344.

Criteria – To appropriately account for and demonstrate accountability for all of the City’s cash assets, procedures should be in place to ensure all bank accounts are included in the City’s financial records.

Condition – There is no process implemented for identifying that all bank accounts are included and reconciled in the City’s records.

Effect – A bank account and the related transactions were excluded from the City’s records.

Recommendation – We recommend the City implement regular procedures to ensure all bank accounts are being included in financial reporting.

Response – We will consider the recommendation and take steps to address this issue.

CITY OF FONDA, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Conclusion – Response accepted.

II-C-15 Reconciliation of Bank Accounts – The City did not complete formal bank account reconciliation at June 30, 2015.

Criteria – Bank reconciliations prepared on a timely basis are a key tool in ensuring accuracy and completeness of the accounting records.

Condition – The new City Clerk was not aware of the importance of a formal bank reconciliation process.

Effect – Failure to complete timely bank reconciliations leaves the City vulnerable to inaccurate accounting records.

Recommendation – We recommend the City begin performing monthly bank reconciliations as well as implement a month-end checklist to monitor the procedures required to be completed.

Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

II-D-15 Compliance – The City does not have a formal process in place for determining compliance with the water utility revenue bond resolution provisions.

Criteria – Because failure to comply with the water utility revenue bond resolution provisions could cause the City to be in default on the revenue bonds, a system to ensure compliance is important.

Condition – Regular month-end practices do not include calculating the different provisions outlined in the bond agreement resolution.

Effect – Failure to comply with the bond provisions could cause the City to be in default with respect to the revenue bonds.

Recommendation – Procedures should be developed to ensure that all provisions are calculated and monitored on a monthly basis.

Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

II-E-15 Credit Cards – The City is utilizing a credit card that is not authorized in their current credit card policy. Additionally, the City Library has a credit card for use by its employees but has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

CITY OF FONDA, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Criteria – An internal control system that is functioning properly should detect any non-compliance in a timely manner.

Condition – Regular month-end practices do not include proper procedures that follow a written policy for credit card charges for the Library.

Effect – Supporting documentation was not always available to support credit card charges for the Library.

Recommendation – The City should amend their current policy to authorize their current credit card use. Also, the City Library should adopt a formal written policy regulating the use of credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – Although we have not established a formal written policy detailing specifics on the use of credit cards, we have unwritten guidelines. We will review procedures and establish a written policy for the Library and amend the current one for the City.

Conclusion – Response accepted.

II-F-15

Swimming Pool Collections – The swimming pool collects fees each day and submits weekly remittances to the City Clerk for deposit. Documentation supporting these collections was inadequate to determine the amounts which should have been collected and remitted to the City Clerk for deposit.

Criteria – An internal control system that is functioning properly should detect any non-compliance in a timely manner.

Condition – Regular month-end practices do not include proper procedures to reconcile swimming pool collections to supporting documentation.

Effect – Supporting documentation was not available to reconcile and support swimming pool collections.

Recommendation – The swimming pool employees should maintain a daily transaction log that can support and reconcile the daily deposit. The City Clerk should review the log to ensure it does reconcile. Additionally, after the deposit is made by the City Clerk, the swimming pool manager should sign off on the deposit ticket to ensure all monies were properly deposited.

CITY OF FONDA, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF FONDA, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part III: Other Findings Related to Statutory Reporting:

III-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the debt service function.

Criteria - Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Cause – The City did not discontinue issuing disbursements when the budgeted limits were reached.

Effect – The City did not comply with Chapter 384.20 of the Code of Iowa.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-15 Questionable Disbursements - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-15 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

III-D-15 Business Transactions – We noted that the City conducted business with the Mayor. Business transactions between the City and City officials are detailed as follows:

<u>Name, Title, and Business Connection</u>		<u>Transaction Description</u>	<u>Amount</u>
Don Wolf, Mayor, son of owner Ray's Plumbing & Heating		Sewer installation	\$ 4,029

Criteria - Chapter 362.5(3)(j) of the Code of Iowa prohibits any city officer or employee from having a contract of job of work with the City. Exceptions are made to this regulation if the total annual purchase is less than \$2,500 or if the work was contracted under competitive bid.

Cause – Limited providers of this type of service are available in the City of Fonda.

Effect - The transactions with the City official above appear to be in violation of Iowa Code Section 362.5(3)(j), and are not covered under the aforementioned exceptions.

CITY OF FONDA, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2015

Recommendation – The City should consult with their attorney to see what actions, if any, needs to be taken to remedy the issue.

Response – We will consult our attorney

Conclusion – Response accepted.

III-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-15 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-15 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-H-15 Financial Condition – The following funds had a deficit fund balance at June 30, 2015:

<u>Fund</u>	<u>Deficit Balance</u>
General	\$474,686
Capital Project	\$628,955
Tax Increment Financing	\$830
Debt Service	\$18,182
Sewer	\$37,245
Storm Sewer	\$31,475

Criteria – Deficit fund balances may indicate funds that are not in sound financial condition.

Cause – Certain funds have run a deficit in anticipation of better financial results in the future.

Effect - Certain City fund balances appear to not be in sound financial position.

Recommendation – The City should investigate alternatives to eliminate the deficit balances in order to return these funds to sound financial positions.

Response – We will review alternatives to bring these funds' balances back into a positive position.

Conclusion – Response accepted.